MILK POOLING BRANCH

INDEX OF POLICY AND PROCEDURAL LETTERS

STATE OF CALIFORNIA RONALD REAGAN, Governor

CALIFORNIA DEPARTMENT OF AGRICULTURE

Room A-230
1220 N Street
Sacramento 95814

BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 1

HANDLER POOL OBLIGATION FOR TRANSFERS AND DIVERSIONS

The pooling program will compute the classification of fluid items transferred or diverted between pool handlers on the basis of the previous month's in-plant usage of the receiving plant.

The classified usage of these fluid items so transferred or diverted is added to the usage of the shipping plant and becomes a part of his pool obligation. This same classified usage is deducted from the receiving plant's total usage and reduces his pool obligation.

Prices used in computing the pool obligation for transfers will be the class prices in effect at the shipping handler's plant during the month of shipment. Prices for diversions will be the class prices in effect at the receiving handler's plant during the month of shipment.

For example, assume Handler A, the shipper, transfers 1,000 pounds of butterfat to Handler B, the receiver, during the month of August. Also assume that Handler B's in-plant usage for butterfat during the month of July was 70 percent Class 1, 20 percent Class 2, and 10 percent Class 4 and that the butterfat prices in effect at Handler A's plant during August was $1 per pound Class 1, $.75 per pound Class 2, and $.50 per pound Class 4.

Handler A's pool obligation for the 1,000 pounds of butterfat he transferred is 700 pounds Class 1, 200 pounds Class 2, and 100 pounds Class 4. These amounts, times the class prices, gives a total pool obligation of $900 for the transfer. Handler B's total classified usage will be reduced by 700 pounds of Class 1, 200 pounds of Class 2, and 100 pounds of Class 4 butterfat usage.

A diversion will be handled similarly except that the prices used will be the class prices in effect at the receiving handler's plant during the month of shipment.

Jerry W. Fielder
Director of Agriculture

By Jed A. Adams

Jed A. Adams, Chief
Bureau of Milk Pooling

Dated: September 16, 1969

STATE OF CALIFORNIA

RONALD REAGAN, Governor

CALIFORNIA DEPARTMENT OF AGRICULTURE

Room A-230
1220 N Street
Sacramento 95814

BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 2

PRODUCER-DISTRIBUTORS TO BE CONSIDERED HANDLERS

Under Chapter 2, a producer-distributor is classified as a producer when making bulk shipments of market milk to another distributor. Treating a producer-distributor in this manner under the Pooling Plan creates problems in the accountability of production base and pool quota. This can be greatly diminished if producer-distributors were considered as handlers when making these bulk shipments.

Therefore, for pool accounting purposes only, a producer-distributor who ships bulk milk to another distributor or handler will be considered to be a handler.

The producer-distributor will retain custody of his own production base and pool quota. The derived usage of any shipment to another pool handler will be the pro rata amount of the receiving handler's in-plant usage for the previous month. The derived usage of any shipment to nonpool plants will be that agreed upon by both handlers. These are the same methods by which any other pool handler accounts for similar transactions.

Bulk milk, shipped directly from the production facility to another handler, will be reported as a diversion.

Bulk milk, received into the plant and then shipped to another handler, will be reported as a transfer.

Jerry W. Fielder
Director of Agriculture

By Jed A. Adams

Jed A. Adams, Chief
Bureau of Milk Pooling

Dated: September 16, 1969

STATE OF CALIFORNIA RONALD REAGAN, Governor

CALIFORNIA DEPARTMENT OF AGRICULTURE

Room A-230
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BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 3

LEASING OF BASE AND QUOTA

Leasing or renting production base and pool quota is not authorized.

Jerry W. Fielder
Director of Agriculture

By Jed A. Adams

Jed A. Adams, Chief
Bureau of Milk Pooling

Dated: September 16, 1969

STATE OF CALIFORNIA RONALD REAGAN, Governor

CALIFORNIA DEPARTMENT OF AGRICULTURE

Room A-230
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BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 4

TRANSFERS OF PRODUCTION BASE AND POOL QUOTA

Applications for transferring production base and pool quota by any producer must be on forms approved by the Director and such forms must be completely filled out and received in the Department at least ~~30~~ 15 days prior to the time the transfer is to be made effective.

Transfers of production base and pool quota will only be made effective on the first of a month.

Jerry W. Fielder
Director of Agriculture

By Jed A. Adams

Jed A. Adams, Chief
Bureau of Milk Pooling

Dated: September 16, 1969

STATE OF CALIFORNIA

PETE WILSON, *Governor*

DEPARTMENT OF FOOD AND AGRICULTURE

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MILK POOLING BRANCH
POLICY AND PROCEDURAL LETTER NO. 5.5

CUSTOM PROCESSING OF CLASS 2, 3, 4a and 4b PRODUCTS ONLY

Custom processing of market milk into any Class 2, 3, 4a, or 4b product is any transaction in which one handler performs services for another handler, such as processing and packaging, and does not take title to the product. A handler is defined in the Milk Pooling Plan. Such definition does not include individual producers. Handlers who custom process market milk shall use the following guidelines:

1. Custom processing shall normally be limited to Class 4a products only. Any custom processing of Class 2, Class 3 or Class 4b products shall have prior approval of the Director which must be confirmed in writing. The Director's approval shall be predicated on a demonstrated unforeseen emergency need. Such approval shall generally be for a period not to exceed 60 days.

2. Title to the bulk milk and resulting manufactured products shall remain with the shipping handler until final disposition. The processing handler may only act as a broker for sales to the Federal Government. The disposition of the manufactured products shall be either:

   (a) Sold and delivered to the Federal Government by the processing handler, or

   (b) Returned to the shipping handler who will arrange for its final sale and disposition.

3. The processing handler is prohibited from directly or indirectly purchasing the manufactured products.

4. Charges for custom processing of the shipping handler's bulk milk into manufactured products shall be borne by the shipping handler.

5. The processing handler shall report to the shipping handler the manufactured products yielded from the bulk milk which is custom processed.

6. If the processing handler stores, refrigerates, or otherwise warehouses the shipping handler's manufactured products, such products may be included with the processing handler's own product inventory. However, separate accountability must be maintained for the shipping handler's products.

(over)

7. Each processing handler who custom processes another handler's market milk into manufactured products shall maintain complete records of such transactions for review by the Director for a period of not less than three years.

8. Each processing handler who custom processes bulk milk for another handler shall report to the Director as follows:

   (a) The processing handler shall not report this milk as either a receipt or disposition.

   (b) The processing handler shall complete MPB Form 800C showing the total amount of market milk custom processed for each handler and the amount processed into each class.

   (c) The shipping handler shall report the total amount of market milk shipped for custom processing on the MPB Form 800, Lines 65 or 66 for Class 2 products, Lines 74 or 75 for Class 3 products, Lines 84 or 85 for Class 4a products, and Lines 98 or 99 for Class 4b products with the appropriate entries on the MPB Form 800B.

Henry J. Voss
Director

By Glenn T. Gleason
Glenn T. Gleason, Chief
Milk Pooling Branch
(916) 654-0795

Dated: March 13, 1992

STATE OF CALIFORNIA

EDMUND G. BROWN JR., *Governor*

DEPARTMENT OF FOOD AND AGRICULTURE
Room A230
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Sacramento 95814

BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 7.5

COMPUTATION OF INPLANT USAGE

Gross inplant class usage is the total of the respective sections dealing with classified usage on the pooling report MPB Form 800. Class 1 is the total of Lines 41 through 49; Class 2 usage is the total of Lines 62 through 66; Class 3 usage is the total of Lines 71 through 75; Class 4a usage is the total of Lines 81 through 85; and Class 4b usage is the total of Lines 95 through 99.

Gross Class 1 usage is reduced by the opening inventory of Class 1 packaged items, by the amount of packaged Class 1 items received from other plants, and by the weight of fortifying dry solids-not-fat and condensed skim. The deduction of dry solids-not-fat includes the additional weight due to volume expansion. Condensed skim is deducted at the actual weight of condensed used. The reamining usage after these deductions represents the inplant usage of Class 1 upon which the Class 1 percentage is calculated.

If there are receipts of bulk manufacturing grade, or receipts from nonpool sources (except out of state), a preliminary adjustment is made by deducting such receipts from the Class 2, 3, 4a and 4b usage. These deductions are made pro rata based on the amounts included in these classes that were used to make products that do not require market grade milk, cream, or skim in their manufacture. To determine such amounts used to make Class 2, 3, 4a and 4b products not requiring market grade, the following calculations are made:

Class 2 = Amount recorded on Line 67

Class 3 = Gross total usage of Class 3 minus amount recorded on Line 76

Class 4a = Gross total usage of Class 4a minus amount recorded on Line 86

Class 4b = Gross total usage on Lines 95 through 99.

For your information, examples illustrating calculations under these two conditions (<u>with</u> or <u>without</u> manufacturing or nonpool receipts) are on the reverse side.

This Policy and Procedural Letter is effective August 1, 1982. However, computation of inplant usage prior to this date is governed by Policy and Procedural Letter 7.4.

R. E. Rominger
Director of Food and Agriculture

By Glenn T. Gleason
Glenn T. Gleason, Chief
Bureau of Milk Pooling

Dated: August 23, 1982

GROSS CLASS USAGE:

	Lbs. Product	Lbs. Fat	Lbs. Skim
Lines 41 through 49	1,000,000	35,000	965,000
Lines 62 through 66	244,500	9,500	235,000
Lines 71 through 75	225,000	--	225,000
Lines 81 through 85	25,000	7,500	17,500
Lines 95 through 99	57,000	600	56,400
Totals	1,551,500	52,600	1,498,900

EXAMPLE 1: NO RECEIPTS FROM NONPOOL SOURCES AND NO MANUFACTURING GRADE USED

	Gross Total Usage	Opening Inv. Pkgd. Fl. Items	Purchased Pkgd. Fluid Items	Fortifying Dry Solids	Fortifying Condensed Skim	Adjusted In-plant Usage	Percentage
FAT:							
Class 1	35,000	(2,500)	(1,500)			31,000	.637860
Class 2	9,500					9,500	.195473
Class 3	--					--	--
Class 4a	7,500					7.500	.154321
Class 4b	,600					600	.012346
	52,600	(2,500)	(1,500)			48,600	1.000000
SKIM:							
Class 1	965,000	(68,700)	(48,500)	1/ (2,750)	(35,000)	810,050	.602738
Class 2	235,000					235,000	.174858
Class 3	225,000					225,000	.167417
Class 4a	17,500					17,500	.013021
Class 4b	56,400					56,400	.041966
	1,498,900	(68,700)	(48,500)	(2,750)	(35,00)	1,343,950	1.000000

EXAMPLE 2: (SAME GROSS USAGE AS IN EXAMPLE NO. 1, EXCEPT THERE ARE RECEIPTS FROM NONPOOL SOURCES OF 7,200 LBS. PRODUCT, 2,300 LBS. FAT, AND NET MANUFACTURING GRADE OF 4,800 LBS. PRODUCT, 1, 300 LBS. FAT) LINE 67 OF 27.910 LBS. PRODUCT, 2760 LBS. FAT, LINE 76 OF 50.000 LBS. PRODUCT, ZERO LBS. FAT, LINE 86 OF 5,500 LBS. PRODUCT, ZERO LBS. FAT

	Gross Total Usage	Usage In Mfg. Grade Products	%Usage in Mfg. Grade Products	Bulk Nonpool Receipts	Net Bulk Mfg. Grade Receipts	Opening Inv. Packaged Fluid Items	Purchased Packaged Fluid Items	Fortifying Dry Solids	Fortifying Condensed Skim	Adjusted In-plant Usage	Percentage
FAT:											
Class 1	35,000	xxxxx	xxxxx	xxxxx	xxxxx	(2,500)	(1,500)			31,000	.688889
Class 2	9,500	2,760	.254144	(585)	(330)					8,585	.190778
Class 3	--	--	--	--	--					--	--
Class 4a	7,500	7,500	.690608	(1,588)	(898)					5,014	.111422
Class 4b	600	600	.055248	(127)	(72)					401	.008911
	52,600	10,860	1.000000	(2,300)	(1,300)	(2,500)	(1,500)			45,000	1.000000
SKIM:											
Class 1	965,000	xxxxx	xxxxx	xxxxx	xxxxx	(68,700)	(48,500)	1/ (2,750)	(35,000)	810,050	.606529
Class 2	235,000	25,150	.093651	(495)	(328)					234,213	.175368
Class 3	225,000	175,000	.651648	(3,193)	(2,281)					219,526	.164371
Class 4a	17,500	12,000	.044684	(219)	(156)					17,125	.012823
Class 4b	56,400	56,000	.210017	(1,029)	(735)					54,636	.040909
	1,498,900	268,550	1.000000	(4,900)	(3,500)	(68,700)	(48,500)	(2,750)	(35,000)	1,335,550	1.000000

STATE OF CALIFORNIA

EDMUND G. BROWN JR., *Governor*

DEPARTMENT OF FOOD AND AGRICULTURE
Room A230
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BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 8.3

CALCULATION OF PLANT LOSS

This letter which supersedes Policy and Procedural Letter No. 8.2 dated May 9, 1980, updates the sections and line number identification to conform to the current format of the MPB Form 800. There is no change in procedural principle from the preceding letter.

Plant loss for the reported month is calculated through the Pooling system as follows:

1. Total all receipts by pounds product and pounds fat from all sources, including opening inventories, in the order listed on the MPB Form 800 under Line 10 through 02. Compute the pounds skim by deducting the total pounds fat from total pounds product. This gives the total fat and total skim available for usage.

2. Total, by pounds product and pounds fat, all the disposition and utilization reported on Line 50 through 85, and 95 through 99. Compute the pounds skim by deducting the total pounds fat from the total pounds product.

   Deduct from the total skim so computed the pounds of condensed nonfat used in fortification of Class 1 as reported as a memo item on Line 91. Deduct from the total skim, the dry solids used in fortifying Class 1 as reported as a memo item on Line 92, and the increased volume weight because of such fortification. (It is considered that the addition of 13.4 pounds of dry solids increases volume by one gallon.)

3. Compare the total fat disposition and the adjusted total skim disposition as determined under Number 2 with the respective fat and skim totals available for usage as determined under Number 1.

4. The amount that the totals under Number 1 exceed those of Number 2 represents the plant loss of fat and skim, and class usage will be adjusted pursuant to Section 801(a)(9) of the Plan.

5. If the total disposition of either fat or skim is greater than the total of such component available for usage, a plant gain or overutilization has occurred and no adjustment is made.

An example illustrating this calculation procedure is shown on the reverse side.

R. E. Rominger
Director of Food and Agriculture

By Glenn T. Gleason
Glenn T. Gleason, Chief
Bureau of Milk Pooling
Dated: August 23, 1982

EXAMPLE OF CALCULATION OF PLANT LOSS

TOTALS OF ITEMS IN THE ORDER LISTED ON MPB FORM 800:

	Product	Fat	Skim
1. Total of Lines 10 through 02	17,894,473	676,455	17,218,018
Total of Lines 50 through 88 and 95 through 99	18,011,292	673,640	17,337,652
Less Dry Solids used in fortification of Class 1		xxxx	(4,900)
* Less Increased Volume Weight because of fortification		xxxx	(3,145)
Less Condensed Nonfat used in fortification of Class 1		xxxx	(280,420)
2. Net Utilization and Disposition		673,640	17,049,187
3. Plant Loss (Item 1 minus Item 2)		2,815	168,831

* (4,900 ÷ 13.4) 8.6 = 3,145

STATE OF CALIFORNIA
RONALD REAGAN, Governor

CALIFORNIA DEPARTMENT OF AGRICULTURE

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BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 10

POOL ACCOUNTABILITY OF COOPERATIVE ASSOCIATIONS

We have been requested to classify the pool accountability of cooperative associations.

According to the Gonsalves Milk Pooling Act, a cooperative association is to be treated as a single producer for normal accountability to and from the pool. This means that as long as a cooperative association produces sufficient market milk in total to satisfy the total production base and pool quota of all its members it will receive full quota and base entitlement from the pool. All bases and quotas so combined must be bona fide, active, and held by market milk producers.

This does not change the individual performance responsibility as stated in Section 305 of the Milk Pooling Plan. Each cooperative association producer must produce an amount of milk equivalent to his allocated pool quota during the months of September, October, and November, or lose production base accordingly.

Jerry W. Fielder
Director of Agriculture

By Jed A. Adams

Jed A. Adams, Chief
Bureau of Milk Pooling

Dated: November 20, 1970

MILK POOLING BRANCH
POLICY AND PROCEDURAL LETTER NO. 11.3

CLASSIFICATION AND MOVEMENT OF CONDENSED AND EVAPORATED PRODUCTS

Condensed/evaporated products are classified at the time of manufacture as Class 2 unless the product meets the following exceptions:

1. If condensed/evaporated products are supplied to a consumer in hermetically sealed containers by the manufacturing plant, it would be classified as Class 4a. Condensed/evaporated products shipped to plants which only manufacture nondairy products (i.e. soup, candy) are also considered as being supplied to a consumer and would be classified as Class 4a.

2. If condensed/evaporated products are used by the manufacturing plant in making frozen dairy products or are shipped to other plants for use in manufacturing frozen dairy products, it would be classified as Class 3.

3. If condensed skim milk is manufactured as an intermediate step in a powdering process, it would be classified as Class 4a.

4. All condensed/evaporated products supplied to another plant, either pool or nonpool, should be classified as Class 2 at time of shipment, except for those amounts for which a certificate is furnished by the receiving plant to the shipping plant certifying that the condensed/evaporated products were used in the manufacture of products for which the Class 3, Class 4a, or Class 4b utilization would apply.

If a handler uses condensed/evaporated products in more than one class and buys condensed/evaporated products from other handlers, the total condensed/evaporated products will be assigned to usage, based on the percentage of total condensed/evaporated products used in each class unless his records clearly show actual use.

Certificates of usage are for convenience of movement between plants. Where it is determined by audit that the usage certified by the receiving plant was incorrect, the shipping plant will be obligated to the pool for the usage determined by that audit.

Handlers are responsible for maintaining adequate records which reflect the usage allocated to all condensed/evaporated products handled. If the utilization claimed cannot be verified, the condensed/evaporated products will be classified as Class 2.

Condensed skim milk used in the fortification of Class 1 products continues to be classified as Class 2 at the time of manufacture. Milk Pooling will calculate an upcharge from Class 2 to Class 1 for condensed skim milk reported on Line 91 of the Form MPB 800 as having been used in the fortification of Class 1 products.

Jack C. Parnell
Director of Food and Agriculture

By Glenn T. Gleason
Glenn T. Gleason, Chief
Milk Pooling Branch
(916) 445-2060

Dated: July 10, 1987

STATE OF CALIFORNIA

GEORGE DEUKMEJIAN, *Governor*

DEPARTMENT OF FOOD AND AGRICULTURE

MILK POOLING BRANCH
POLICY AND PROCEDURAL LETTER NO. 12.2
CLASS 1 ROUTE RETURNS

This letter supersedes Policy and Procedural Letter No. 12.1, dated August 23, 1982.

Route returns of Class 1 products must be properly documented in order to be deducted from Class 1 Sales. Proper documentation includes:

- -Daily records of Class 1 returns showing the types of products and unit sizes.
- -The daily records should be accumulated into a monthly summary and converted to total pounds of product and fat.

The disposition of route returns should be reported as follows:

A. If the returns are utilized in a lower class product, such as ice cream, the pounds of product and fat may be reclassified to the applicable class. Do not include nondairy additives or fortifiers.

B. If the returns are disposed of as animal feed, they may be reported as Class 4a. Do not include nondairy additives or fortifiers.

C. If the returns of Class 1 finished products are not reused in a lower class or disposed of as animal feed, they become a part of overall plant loss.

D. Route returns of Class 1 products originally purchased from another pool handler should not be deducted from the Class 1 sales reported to the pool on Line 41, MPB Form 800, unless a corresponding deduction is made from Line 35, Receipts of Packaged Goods.

The disposition of returned Class I products must be documented to support the reclassification to a lower class usage. A lack of proper documentation will require that they be reported in overall plant loss. Proper documentation includes:

- -Daily records of Class 1 returns reused in other products or disposed of as animal feed.
- -The daily records should be accumulated into a monthly summary and converted to total pounds of product and fat.

Route returns of other classified products reported in Classes 2, 3, 4a or 4b cannot be deducted from the original usage.

Jack C. Parnell
Director

By

Glenn T Gleason

Glenn T Gleason, Chief
Milk Pooling Branch
Dated: April 25, 1988

STATE OF CALIFORNIA

EDMUND G. BROWN JR., *Governor*

DEPARTMENT OF FOOD AND AGRICULTURE

Room A-230
1220 N Street
Sacramento
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CORRECTION

BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 13.1

CLASSIFICATION OF BUTTER RESIDUE FOR CHURNING PROCESS

This letter supersedes Policy and Procedural Letter No. 13 dated March 30, 1973.

Residue from the butter churning process is Class 4a unless Paragraph 1 or 2 below applies:

1. If the residue is bottled and sold as "buttermilk", as defined in Divison 15, Part 3, Chapter 5, Article 19, of the California Food and Agricultural Code, it will be reclassified to Class 2.

2. If it is determined that the churning process is primarily utilized to develop products which displace higher classes of uasge of milk, cream or skim, the residue will be classified in the higher classification.

Richard E. Rominger
Director

By Glenn T. Gleason

Glenn T. Gleason, Chief
Bureau of Milk Pooling

Dated: August 30, 1982

STATE OF CALIFORNIA

RONALD REAGAN, Governor

CALIFORNIA DEPARTMENT OF AGRICULTURE

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BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 14

CLASSIFICATION OF COTTAGE CHEESE WHEY
AND COTTAGE CHEESE WHEY POWDER

Cottage cheese whey and cottage cheese whey powder are byproducts derived from the manufacture of cottage cheese.

Accountability for the fluid milk, fluid skim, or fluid cream used in cottage cheese is established at the time of introduction of the raw materials. The residual byproducts are classified in accordance with the classification assigned to the primary manufactured product (see Food and Agricultural Code, Section 61843.) Therefore, cottage cheese whey and cottage cheese whey powder are Class 2 products.

C. B. Christensen
Director

By Glenn T. Gleason
Glenn T. Gleason, Chief
Bureau of Milk Pooling

Dated: March 30, 1973

STATE OF CALIFORNIA

RONALD REAGAN, Governor

DEPARTMENT OF FOOD AND AGRICULTURE

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BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 15

IMPACT OF CONTINUOUS DEGRADE STATUS

Milk produced at facilities that have been degraded in accordance with procedures established by an appropriate public regulatory agency does not qualify as fluid milk. Therefore, if a producer is on continuous degrade status for 60 days, he has defaulted within the provisions of Section 500(h) of the Milk Pooling Plan, and the production base and pool quota applying to the degraded facility shall be withdrawn and shall revert to the pool.

This forfeiture penalty does not apply to milk that is produced and received as market grade milk but is rejected under Section 62715 of the Milk Pooling Act as failing to meet the quality standards for Class 1 purposes as specified in the contract with the handler.

C. B. Christensen
Director

By

Glenn T. Gleason

Glenn T. Gleason, Chief
Bureau of Milk Pooling

Dated: May 1, 1973

STATE OF CALIFORNIA EDMUND G. BROWN JR., Governor

DEPARTMENT OF FOOD AND AGRICULTURE

Room A-230
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BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 16

NEW PRODUCER ENTRY

Producers may not qualify for new producer entry if they have transferred or benefited from the transfer of production base and pool quota, either

(a) During the preceding five-year period, provided the transfer was made prior to January 1, 1977, or

(b) During the preceding ten-year period, provided the transfer was made on or after January 1, 1977.

Producers who voluntarily and irrevocably request the department, in writing, to terminate their rights in production base and pool quota held shall not have such action treated as a transfer subject to the above-named provisions. This does not relieve the producer from any restrictions which may apply to other transfers with which he has been involved.

Request for termination of production base and pool quota will only be honored as of the first of the month following receipt of the request.

James G. Youde
Acting Director

By Glenn T. Gleason
Glenn T. Gleason, Chief
Bureau of Milk Pooling

Dated: January 21, 1977

DEPARTMENT OF FOOD AND AGRICULTURE

MILK POOLING BRANCH
POLICY AND PROCEDURAL LETTER NO. 17.2

CONDENSED SKIM MILK OR NONFAT DRY SOLIDS USED TO FORTIFY BULK SHIPMENTS OF MILK, CREAM, OR SKIM

This letter supersedes Policy and Procedural Letter 17.1 dated August 23, 1982.

Condensed skim milk or dry solids used to fortify bulk shipments of market milk, market cream, or market skim milk for Class 1 usage shall be reported as Class 1 fortification by the receiving handler.

When condensed skim milk or nonfat dry solids is used to fortify market milk, market cream, or market skim milk transferred in bulk to other pool handlers, the following guidelines shall apply:

1. Condensed

   A. The shipping handler will report as a transfer on Line 50 of the MPB 800 the amount of milk, cream, or skim less the amount of condensed used in fortification. The receiving handler will report this as a receipt on Line 31.

   B. The manufacturing handler will report the skim milk equivalent weight of the condensed skim milk as Class 2,3,4a, or 4b production based on the ultimate usage of the condensed skim. The shipping handler should not include this on Line 91. The receiving handler will report on Line 91, the condensed weight contained in the fortified bulk shipment that they disposed of as Class 1.

2. Dry Solids

   A. The shipping handler will report as a transfer on Line 50 of the MPB 800 the amount of milk, cream, or skim, less the amount of powder used in fortification. The receiving handler will report this as a receipt on Line 31.

   B. The manufacturing handler will report the skim milk equivalent weight of the powder as Class 4a production. Do not include on Line 92, the weight of the powder used to fortify these bulk shipments. The receiving handler will report on Line 92 the weight of the powder contained in the fortified shipment that is disposed of as Class 1.

Continue to report condensed skim milk and/or powder used in the fortification of your own inplant Class 1 products on Line 91 or 92 of the MPB800.

Clair Berryhill
Director

By Glenn T. Gleason
Glenn T. Gleason, Chief
Milk Pooling Branch

Dated: January 22, 1987

STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

DEPARTMENT OF FOOD AND AGRICULTURE
Room A-230
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BUREAU OF MILK POOLING
POLICY AND PROCEDURAL LETTER NO. 19

ACCOUNTING PROCEDURES FOR DONATED MILK

In the event a producer wishes to donate market milk, cream, or skim milk to a charitable organization which is defined as "any organization which was organized and is operating for charitable purposes and meets the requirements set forth in Section 214 of the Revenue and Taxation Code:, the following accounting procedures shall apply:

The producer would give advance notice to the handler of his intention to donate milk, cream, or skim prior to pick up.

In addition to the ranch pickup tag, another document (certificate of donation) shall be developed by the receiving handler, and signed by the producer at the time of pick up. The following data shall be entered on the certificate of donation: Producer name, producer number, date, volume components, and name of processing handler. A copy of the certificate should be retained by the handler for his accounting records, a copy left with the producer at the time of pick up, and a copy sent to the Bureau of Milk Pooling within 24 hours of pick up. In case of a diversion, a fourth copy should be furnished to the receiving handler.

The receiving handler would maintain accountability for the donated volume but would not report receipts or disposition of the donated milk on the MPB 800 or the Producer Shipment Report.

Each receiving handler who processes donated milk shall use a Class 1 plant loss factor, exclusive of route returns. This factor shall be based on actual plant loss for the most current available month preceding the donation.

At the time of pick up, by or delivery to the charitable organization, the processing handler should obtain a signed delivery receipt which reflects the volume and description of each donated milk product.

Should more than one producer desire to donate milk, cream, or skim at the same time, the volume donated must be prorated among all donated products based on percentage of volume each producer donated, not to exceed the total volume recorded on ranch pickup tag(s) and certificate(s) of donation.

In the event the volume of product delivered to the charitable organization is less than the total volume donated by the producer(s), less the plant loss, the receiving handler will be required to account to the pool and to the producer or producers for the same difference. In case the volume is greater, the receiving handler will again be required to account to the pool for any overages.

Producers who donate milk, cream, or skim to a charitable organization will not participate in the pool for the amounts so donated.

The processing handler should maintain these records for audit purposes.

Richard E. Rominger
Director

By Glenn T. Gleason
Glenn T. Gleason, Chief
Bureau of Milk Pooling

Dated: June 15, 1982

MILK POOLING BRANCH
POLICY AND PROCEDURAL LETTER NO. 20.1

QUOTA CERTIFICATES

The Department will consider the issuance of more than one production base and pool quota certificate on a single production facility under the following criteria:

1. Only one certificate can be issued for each legal entity operating at a single production facility.

2. Each entity must qualify as producer in its own right.

3. Each entity must produce milk from a separate and identifiable herd.

4. Each entity must obtain its own Market Milk permit.

5. Each entity must have a separate holding tank for the collection and marketing of its production.

6. Each entity must have its own contract or membership agreement for the marketing of its product.

This policy does not apply to producers qualifying or operating under the new producer entry provisions of Article 4.5 of the Pooling Plan which requires that a new entrant must operate a facility that is completely separate and apart from any other milk production unit.

Clare Berryhill
Director

By Glenn T. Gleason

Glenn T. Gleason, Chief
Milk Pooling Branch

Dated January 12, 1987

MILK POOLING BRANCH
POLICY AND PROCEDURAL LETTER NO. 21
EXTRAORDINARY PLANT LOSSES

Losses of bulk milk, cream or skim that occur during the receiving, processing and delivery operations at a processing plant are accounted for as plant loss and prorated to all classes of usage within the plant. At times, handlers are able to identify the cause and measure the amount of a loss. However, an identified loss would remain in the handler's plant loss unless the loss is due to unusual circumstances such as:

A. An accident which results in insurance recovery for the value of the lost product, or

B. A unique occurence that is not normal to a handler's processing operations.

In the event of an identified loss due to one of the above situations, a lower classification may be appropriate, however, handlers must contact an Audit Manager at the Milk Pooling Branch no later than one business day after the loss occurs. The Audit Manager will review the circumstances of the loss and determine the appropriate classification and method for reporting the loss. Complete documentation must be prepared and retained by handlers which will provide the following information:

1. An explanation as to what the loss is and what caused it.
2. Date and time of loss.
3. Volume (conservative estimate if actual is unknown).
4. Pertinent laboratory tests.
5. Location (Vat No.,Tanker No., etc.).
6. Amounts recovered from insurance and other sources.
7. Signature of responsible manager.
8. Date and time of phone call to Milk Pooling and the name of the Audit Manager who approved the reporting of the extraordinary loss.

A verification of the amounts and circumstances will be made at the time of the next Milk Pooling audit. Included in the review will be a determination of any monies recovered from insurance and other sources. In no case will Milk Pooling allow extraordinary losses to be assigned to a classification that results in a lower value than the amount of recoveries.

The above guidelines do not apply to losses of finished product. Section 61932(a) of the Food and Agricultural Code defines Class 1 as "Any market milk, market skim milk, half-and-half, or concentrated milk that is supplied to consumers ...". Therefore, when a handler incurs a loss of Class 1 packaged product, the loss should be excluded from Class 1 usage since the product wasn't disposed of as Class 1 sales. The milk, cream or skim used in making the lost product should be included in plant loss.

Food and Agricultural Code sections 61933 (Class 2 products), 61934 (Class 3 products), 61935(a)and (b) (Class 4a and 4b products), in defining Class 2 through Class 4b products uses the phrase "market milk, market skim milk, or market cream used in the manufacture of ...". Consequently, market milk, cream or skim used in the manufacture of Class 2,3,4a or 4b products is classified at the time of manufacture, and therefore is not reclassified if a loss occurs during or after processing of the product.

Clare Berryhill
Director

by Glenn T. Gleason

Glenn T. Gleason
Milk Pooling Branch
(916) 445-2060

Dated: April 7, 1987

STATE OF CALIFORNIA
GEORGE DEUKMEJIAN, *Governor*

DEPARTMENT OF FOOD AND AGRICULTURE

Room A-221
1220 N Street
Sacramento, CA 95814

MILK POOLING BRANCH
POLICY AND PROCEDURAL LETTER NO. 22
NEW PRODUCER ENTRY REQUIREMENT

Producers who wish to qualify for an allocation of new entry quota must meet all the provisions of Article 4.5 of the Milk Pooling Plan.

One of these provisions is that a producer must operate a production facility that is completely separate and apart from any other milk production unit during the qualifying period and for at least five years after the initial quota allocation.

To be considered completely separate and apart, the physical structures of the facility must be separated from the physical structures of another facility by a minimum of 100 feet.

Jack C. Parnell
Director

By

Glenn T. Gleason

Glenn T. Gleason, Chief
Milk Pooling Branch

Dated: September 25, 1987

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MILK POOLING BRANCH
POLICY AND PROCEDURAL LETTER NO. 23

AVERAGE SOLIDS-NOT-FAT CALCULATION

Effective with the July 1999[1] pool activity, the Average Solids-Not-Fat test to skim (AST) calculation has been modified to more precisely reflect each pool handler's solids-not-fat usage in the plant as well as the diversions of milk to other handlers. This AST is used to calculate the solids-not-fat pounds on each pool handler's obligation as shown on each section of the "Detail of Activity" report.

The AST will be calculated as follows:

	Skim	SNF	AST
Line 10, Receipts from Market Milk Producers	XX,XXX	X,XXX	
Plus Line 02, Bulk Milk on Hand Beg. of Month	XX,XXX	X,XXX	
Less All Diversions to Other Plants[2]	(XX,XXX)	(X,XXX)	
Plant Pounds and AST	XX,XXX	X,XXX	00.000000%

Solids-Not-Fat pounds for diversions to other handlers, Section 2 of Detail of Activity Report, will be calculated using the skim pounds from the MPB800 report times the Average Solids-Not-Fat test from all producers diverted to such handlers (Producer Shipment reports 1A/1B, 2A/2B). All other Sections of the Detail of Activity Report will use the plant pounds AST.

By

Les Lombardo, Chief
Milk Pooling Branch

Dated: August 1, 1999

[1] It is our intent to accommodate the change in the average solid-not-fat computation with the July 1999 pool. We are completing the testing of the reprogramming which was necessary for this pool calculation modification and believe that the change can be implemented effective with the July 1999 pool. If, however, further testing reveals problems with the reprogramming, we will delay implementation and all handlers will be notified of the new effective date.

[2] Skim pounds are derived based on the reported diversions on the MPB800 report. The SNF pounds are calculated and accumulated using the Average Solids-Not-Fat test for the total of all producers diverted to each handler based on the Producer Shipment reports (1A/1B, 2A/2B) multiplied by the skim pounds on each diversion.